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DATE: January 31, 2005

TO: Jean Stone, Hearing Officer

FROM: David C. Higney, Esq.

SUBJECT: Tennessee Regulatory Authority

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COMMENTS: Please see attached letter regarding proposed settlement in Docket No. 04-00288, Tennessee American Water Company's Petition to Increase its Rates.

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January 31, 2005

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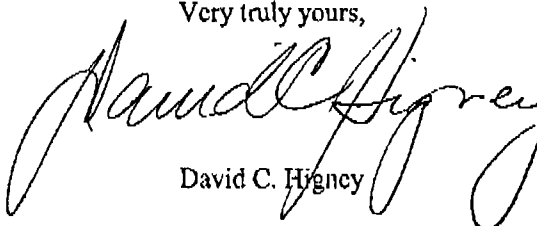
Re: *Proposed Settlement of Tennessee American Water Company's Petition to Raise
 and Increase its Rates; TRA Docket No. 04-00288*

Dear Ms. Stone:

This letter follows the telephone conference conducted on Friday, January 28, 2005, amongst the parties. Although the Chattanooga Manufacturers Association does not agree with an across-the-board rate design, which CMA believes fails to recognize cost of service principles, as proposed in the settlement agreement submitted by Tennessee American Water Company and the Attorney General's Consumer Advocate Division; but, after obtaining the agreement of Petitioner to submit with its next rate case a cost of service study in the same form as that submitted by Dr. Herbert in the Petitioner's last rate case (Docket No. 03-00118), and viewing the significant reduction in the proposed revenue requirement as compared to that which was sought by the Petitioner, the totality of the circumstances make it infeasible to proceed with the hearing.

Thus, CMA will not oppose the proposed settlement agreement between the Consumer Advocate Division and the Tennessee American Water Company, so long as the above-described cost of service study is submitted at the same time as the Tennessee American Water Company (or its successor) files a petition for another rate increase.

Very truly yours,



David C. Higney

DCH:jb

cc: All Parties of Record

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